

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-05

LAB-01 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 SWF-01

CIEP-01 FRB-01 OMB-01 TAR-01 L-02 H-01 PA-01 PRS-01

USIA-06 /045 W

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R 251639Z NOV 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 8684

INFO AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY BOGOTA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

C O N F I D E N T I A L TEGUCIGALPA 5079

E.O. 11652: GDS

TAGS: EAGR, ECON, HO

SUBJECT: BANANAS: STANDARD FRUIT RECONSTRUCTION PROGRAM

REF: TEGUCIGALPA 4458, SAN JOSE 4299 AND SAN JOSE 4445

SUMMARY: STANDARD FRUIT ADVISED EMBASSY NOV. 22 THAT REESTABLISHMENT OF BANANA PRODUCTION ON ISLETA PROPERTY DEPENDS UPON MODIFICATION OF BANANA EXPORT TAX. COMPANY POSITION HAS BEEN PRESENTED TO CABINET COMMITTEE (COMPOSED OF MELGAR, ACOSTA BONILLA, BENNATON, AND FONSECA). ISLETA PLANTATIONS CONSIST OF 5,000 ACRES HEAVILY DAMAGED BY HURRICANE FIFI. THIS IN ONE-FOURTH OF PRE-FIFI PRODUCTION OR ONE-THIRD OF PLANNED POST-FIFI PRODUCTIVE AREA. LABOR AFFECTED - APPROX. SIX HUNDRED PERSONS. INVESTMENT NECESSARY FOR REESTABLISHMENT OF BANANA PRODUCTION OF \$5 MILLION. NO ACTION REQUESTED

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1. STANDARD FRUIT ADVISED HONDURAN GOVERNMENT BANANA COMMISSION THAT REESTABLISHMENT OF PRODUCTION ON ISLETA PROPERTIES DEPENDED UPON MODIFICATION OF BANANA EXPORT TAX. PRICE STRUCTURE, ACCORDING TO STANDARD, WILL NOT SUPPORT NEW INVESTMENT OF \$5 MILLION. COMPANY POSITION DREW SHARP REACTION FROM COL. MELGAR (WHO HAD BEEN ADVISED OF COMPANY POSTION TWO WEEKS PRIOR TO FORMAL MEETING). DEVELOPMENT MUST BE SEEN AS SERIOUS TURN FOR GOH WHICH IS BEING ASKED TO FOREGO ANTICIPATED REVENUES IN ORDER TO REESTABLISH ISLETA BANANA PRODUCTION. NO TIME WAS SET BY STANDARD OR GOH FOR RENEWED DISCUSSIONS.

2. EMBASSY WILL SEEK DISCUSSIONS WITH INVOLVED HONDURAN OFFICIALS IN ORDER TO REPORT REACTIONS. EMBASSY ALSO REQUESTED SOME ANALYTICAL DATA FROM STANDARD RELATIVE TO STANDARD'S POSITION.

3. IT IS APPARENT THAT STANDARD POSITION ADVERSELY AFFECTS BUDGET, BALANCE OF PAYMENTS, AND EMPLOYMENT PROSPECTS WHICH HAVE BEEN UTILIZED BY INTERNATIONAL FINANCIAL AGENCIES AND GOH IN ANALYSIS OF RESPONSE TO HURRICANE DAMAGE.
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